

S
352.13
E4M
1996

Montana

Taxpayers Digest

1996

STATE DOCUMENTS COLLECTION

APR 23 2004

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

MONTANA STATE LIBRARY



3 0864 1002 2433 9

FOREWORD

Purpose

The Montana Taxpayers Digest is designed to provide citizens with a brief summary of state and local taxes and fees administered by the Department of Revenue. A few of the more common taxes, fees and licenses administered by other agencies have also been included. It is not intended to be an overview of all fees, taxes, and licenses collected or required by the State of Montana. Taxpayers should use this as a reference guide only and refer to contact addresses and phone numbers for more detailed and specific information. This booklet incorporates changes resulting from the 1995 Montana Legislature.

How to Use This Booklet

The Taxpayers Digest is divided into 7 sections. The first four relate to taxes, licenses, fees and incentives. The last three provide source information for specific purposes. A table of contents follows this page and can be used as a quick summary of the taxes, licenses, fees and incentives included in the booklet. Each page of the booklet has a page number and a key phrase at the bottom of the page that indicates which section of the booklet one is in. (i.e. page 1-3 with key phrase "*Individuals*" refers to the third page of section 1 which is Taxes and Fees Collected From Individuals.)

Section 1. Taxes and Fees Collected From Individuals

Includes those taxes and fees collected from individuals. Key phrase = *Individuals*.

Section 2. Taxes Paid by Businesses

Includes those taxes and fees paid by businesses. Key phrase = *Businesses*.

Section 3. Business Tax Incentives

Includes a variety of business tax incentives ordered first by type of tax (property, corporation, natural resource, etc.) and then alphabetically within the type. Key phrase = *Incentives*.

Section 4. Licenses and Fees

Includes licenses and fees administered by the Department of Revenue. Does not include professional licensing. Key phrase = *Licenses*.

Section 5. Registering a Business

Includes contact addresses and information on registering a business. Key phrase = *Registration*.

Section 6. Other Information Sources

Source information concerning *Starting a Business*, *Professional Licensing*, *Employment and Wage Laws*, and some taxes, licenses and fees collected by other agencies. Key phrase = *Sources*.

Section 7. Directory and Quick Directory

Lists state agency addresses and phone numbers. Key phrase = *Directory*. The last page is a quick reference of Department of Revenue phone numbers as well as a few general information numbers. Key phrase = *Quick*.

Additional Copies

Additional copies of the Montana Taxpayers Digest may be obtained by writing to the:

*Montana Department of Revenue
Office of Research and Information
Mitchell Building
Helena, Montana 59620
Phone (406) 444-2460*

TABLE OF CONTENTS

TAXES AND FEES COLLECTED FROM INDIVIDUALS	1-1
Accommodations Tax	1-1
Driver's License	1-1
Income Tax	1-1
Income Tax Withholding	1-2
Inheritance/Estate Tax	1-2
Motor Vehicle Licenses and Registration	1-3
Old Fund Liability Tax	1-3
Property Tax	1-4
Resort Tax	1-4
Sales Tax	1-4
Statewide Emergency Telephone System (911) and TDD Fees	1-4
Other Taxes	1-5
 TAXES PAID BY BUSINESSES	 2-1
Accommodations Tax	2-1
Beer Tax	2-1
Cement and Gypsum Producers License Tax	2-1
Cigarette Tax	2-1
Cigarette Wholesaler And Retailer Licenses	2-2
Coal Gross Proceeds Tax	2-2
Coal Severance Tax	2-2
Consumer Counsel Tax	2-3
Contractor's Gross Receipts Tax	2-3
Corporation License Tax	2-3
Electrical Energy Producer's Tax	2-4
Income Tax Withholding	2-4
Liquor Excise Tax	2-4
Liquor License Tax	2-5
Metal Mines Gross Proceeds Tax	2-5
Metal Mines License Tax	2-5
Micaceous Mineral Mines License Tax	2-5
Miscellaneous Mines Net Proceeds Tax	2-6
Motor Fuel Taxes	2-6
Nursing Facilities Bed Tax	2-7
Oil and Natural Gas Production Tax	2-7
Old Fund Liability Tax	2-7
Property Tax	2-8
Public Service Commission Tax	2-8
Resource Indemnity and Groundwater Assessment Tax	2-8

Rural Electric and Telephone Co-op Tax	2-9
Statewide Emergency Telephone System and TDD Fees . . .	2-9
Telephone License Tax	2-9
Tobacco Products Tax	2-9
Wine Tax	2-10

BUSINESS TAX INCENTIVES 3-1

Individual Income and Corporation License Tax Incentives

Land Sale to Beginning Farmers Deduction	3-1
Montana Capital Company Credit	3-1
New or Expanding Industry Wage Credit	3-1
Net Operating Loss Carry Back and Carry Forward Provisions	3-2
Organic Fertilizer Tax Deduction	3-2
Recycling Tax Credit and Deduction	3-2
Research and Development Firms Exemption	3-3
Rural Physician Tax Credit	3-3
Small Business Investment Company Tax Exemption	3-3
Water's Edge Unitary Combination Option	3-4
Wind Farms Tax Credit	3-4

Property Tax Incentives

Business Incubators Exemption	3-5
Canola Seed Oil Processing Machinery and Equipment Reduced Rate	3-5
Expanding "Value-added" Machinery and Equipment Abatements (Local Option)	3-5
Freeport Merchandise and Business Inventories Exemption .	3-5
Industrial Parks Owned and Operated by a Local Economic Development Organization or Port Authority Exemptions	3-6
"New Industry" Reduced Rate	3-6
New or Expanding Industries Abatements (Local Option) . .	3-6
Reduced Assessments for Non-Producing Agricultural and Timber Processing Plants (Local Option)	3-6
Personal Property Exemptions	3-7
Remodeling/Reconstruction Abatements (Local Option) . . .	3-7
Research and Development Firms, Pollution Control Equipment, Gasohol Producing Property, and Electrolytic Reduction Equipment Reduced Rate . . .	3-7

Natural Resource Tax Incentives

Coal Production Incentives	3-8
Oil and Gas Production Incentives	3-8

LICENSES AND FEES 4-1

Alcoholic Beverages

Beer License - Retail 4-1
Beer License - Wholesale 4-1
Liquor License Fees 4-1
Special Beer/Wine Permits 4-1
Veterans or Fraternal Special Permits 4-2
Wine Distributor's License 4-2
Wine Licenses - Retail 4-2

Other Licenses

Cigarette Dealers 4-3
Tobacco Products Retail Sale License 4-3

BUSINESS REGISTRATION PROCEDURES 5-1

Accommodation Tax 5-1
Corporation License Tax 5-1
Employer Taxes 5-2

OTHER INFORMATION SOURCES 6-1

DIRECTORY 7-1

TAXES AND FEES COLLECTED FROM INDIVIDUALS

Accommodations Tax - Users of hotel, motel, or campground facilities are taxed at a rate equal to 4% of the charge for staying at the facility.

*Collected by: The owner or operator of the facility and remitted to:
Department of Revenue, Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

Driver's License - Driver's license fee - \$4 per year or fraction of a year. Commercial vehicle operator endorsement (paid in addition to driver's license fee): interstate - \$5 per year or fraction of a year, intrastate - \$3.50 per year or fraction of a year. Motorcycle endorsement (paid in addition to driver's license fee) - \$0.50 per year or fraction of a year. A license expires on the licensee's birthday 8 years or less after the date of issue with two exceptions. A license expires on the licensee's 21st birthday. A license expires on a licensee's 75th birthday. A license issued to a person who is 75 years or older expires on the licensee's birthday 4 years or less after date of issue. All license fees described above are collected at the time of license issue and are paid in advance for the entire term of the license. (i.e. an eight-year driver's license costs \$32; a four-year costs \$16.) Examinations are required. Duplicate license - \$5.

*Applications obtained from and fees paid to:
Local county treasurer or driver examiner*

Income Tax - Individuals are liable for income tax on Montana-generated income. Taxable income is derived from gross income by making certain adjustments and taking a variety of allowable deductions and exemptions. This tax generally applies to the net income of Montana residents and non-residents. The tax due is then calculated by using the following rate schedule:

<u>Taxable Income</u>		<u>Tax Liability</u>
\$ 0	1,800	2% of net taxable income
1,800	3,700	3% minus \$18
3,700	7,400	4% minus \$55
7,400	11,100	5% minus \$129
11,100	14,800	6% minus \$240
14,800	18,400	7% minus \$388

	<u>Taxable Income</u>		<u>Tax Liability</u>
\$	18,400	25,800	8% minus \$572
	25,800	36,900	9% minus \$830
	36,900	64,600	10% minus \$1,199
	over	64,600	11% minus \$1,845

Taxpayers, spouses, and each dependent are allowed a \$1,480 exemption. Each year the personal exemption, standard deduction, and rate schedule are indexed for inflation. (*Rate schedule and exemption, above, are for tax year 1995.*) A minimum standard deduction will be effective beginning in tax year 1996.

Electronic filing of the Montana return along with the federal return will be available for tax year 1995 and subsequent years. Telefile and direct deposit of refunds will be implemented soon.

Non-residents are taxed just as residents with a final proration of their calculated tax liability. The proration compares Montana source income to total with the resulting percentage multiplied times the computed tax liability.

Taxes collected by and more information available from:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604
(406) 444-3550*

Income Tax Withholding - With certain statutory exceptions, every resident and non-resident employer doing business in this state is required to withhold Montana income tax from wages paid to an employee for services rendered within this state and services rendered outside this state by Montana residents.

Withheld by employer and remitted to:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Inheritance/Estate Tax - Paid by the recipient (individual or corporation) of any decedent's property or interest within this state. This tax also applies to non-residents provided the transferred property is in Montana. Primary rates of taxation of inheritances range from 2% to 8% of the clear market value of such inheritance under \$25,000 depending on the relationship of the beneficiary to the decedent. Certain exemptions, depending on the

relationship of the recipient to the deceased, are allowed. Tax rates are higher on any amount transferred in excess of \$25,000. Surviving spouses and children are exempt from this tax. In addition to the inheritance tax, an estate tax is imposed upon the transfer of any estate subject to the federal estate tax. The estate tax is equal in amount to the maximum tax credit allowable for state death taxes against the federal estate tax, less any inheritance tax paid.

Tax forms obtained from and taxes collected by:
Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604

Motor Vehicle Licenses and Registration - All privately owned automobiles must be licensed and registered at a fee of:

	Automobiles 2,850 lbs. <u>and under</u>	Automobiles over 2,850 lbs. <u>and trucks</u>
Registration	\$ 10.25	\$ 15.25
Junk vehicle disposal fee	.50	.50
Weed Control Fee	1.50	1.50
M.V. Computer	<u>1.00</u>	<u>1.00</u>
Total Fee	\$ 13.25	\$ 18.25

Title Transfer - \$5.00; Title Junk Fee - \$1.50; New Plates - \$2.00

Automobiles and light trucks are subject to an annual property tax which amounts to 2% of the average trade-in or wholesale value of the vehicle on January 1 of the year of assessment (to a minimum value of \$500). The governing body of a county may impose an additional tax at the rate of 0.5% of the average trade-in or wholesale value of the vehicle.

New vehicles for which a license is sought and an original application for title is made are subject to a tax at the rate of 1.5% of the factory list price of the vehicle. A vehicle subject to this tax is exempt from the 2% property tax described above.

Taxes collected by and more information available from:
Local county treasurer

Old Fund Liability Tax - With certain exceptions, the Old Fund Liability Tax is a payroll tax levied on all compensation earned in Montana. It

applies to the employer, employees, and all employment whether salaried or self-employed. Employers pay 0.5% on gross wages and 0.2% is withheld from employees' gross wages. Self-employed (partnerships, sub "S" corporations, etc.) reporting income on schedules C or E or F pay 0.2% of the net income on a per entity basis. (Federal and railroad employees and employers are exempt.)

Information available from and tax collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Property Tax - Residential land and improvements are subject to property (ad valorem) taxation. Tax liability for residential property is determined in the following way:

$\text{Market Value} \times 3.86\% = \text{Taxable Value.}$

$\text{Taxable Value} \times \text{Mill Levy} = \text{Property Tax Liability.}$

The mill levy is an aggregate of state and local mill levies imposed annually for the purpose of funding city and county governments, schools, and the university system. Residential property taxes are assessed locally by the appraisal/assessment office of the Department of Revenue.

Collected by: Local county treasurer

Resort Tax - Allowable only in certain communities with populations under 5,500 which meet specific resort qualifications. This is a local option sales tax on the retail value of goods and services sold by lodging and camping facilities; restaurants and other food service establishments; public establishments that serve alcoholic beverages by the drink; destination recreational facilities; and establishments that sell luxuries. The rate is set locally and cannot exceed 3%.

Administered by local government

Sales Tax - Montana has no general sales or use tax.

Statewide Emergency Telephone System (911) and TDD Fees - Each subscriber pays a monthly fee of \$0.25 for 911 and \$0.10 for TDD per access line.

Collected by telephone companies and remitted to:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Other Taxes

Inquiries are often made concerning taxes on alcoholic beverages, motor fuels and tobacco. These taxes are remitted by the business and are, therefore, included in the section *TAXES PAID BY BUSINESSES*. For further information on these taxes see pages in this booklet referenced below.

<u>Tax</u>	<u>Reference Page</u>
Beer Tax	2-1
Cigarette Tax	2-1
Liquor Excise Tax	2-4
Liquor License Tax	2-5
Motor Fuel Taxes	2-6
Tobacco Products Tax	2-9
Wine Tax	2-10

TAXES PAID BY BUSINESSES

Accommodations Tax - Users of hotel, motel, or campground facilities are taxed at a rate equal to 4% of the charge for staying at the facility.

*Collected by: The owner or operator of the facility and remitted to:
Department of Revenue, Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

Beer Tax - In addition to an annual license fee, a tax of \$4.30 per barrel of thirty-one gallons is imposed on each barrel of beer sold by any Montana wholesaler. This tax applies to all beer, whether brewed in the state or imported from outside.

*Collected by:
Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Cement and Gypsum Producers License Tax - Producers and importers of cement and cement products are required to pay a license tax of \$0.22 per ton. Producers and importers are required to pay \$0.05 per ton for gypsum and gypsum products. Individuals retailing cement and gypsum products in Montana must pay a license tax of \$0.22 and \$0.05, respectively, for every ton that has not been paid for under any other law.

*Collected by:
Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg.. Room 330
125 Roberts St.
Helena, MT 59620*

Cigarette Tax - Eighteen cents per package of twenty cigarettes is paid in advance by wholesalers and included in the retail price. The tax is proportionally adjusted for different size packages. This tax applies to

cigarettes brought into and sold in Montana.

Collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

Cigarette Wholesaler And Retailer Licenses - \$5.00 per retail license, \$50.00 per subjobber, \$ 50.00 per wholesaler license; \$5.00 for 9 or fewer vending machines, \$50.00 for 10 or more vending machines.

Collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

Coal Gross Proceeds Tax - A statewide 5% flat tax is imposed on coal gross proceeds. The gross proceeds of coal is determined by multiplying the number of tons produced by the contract sales price.

Forms filed with:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Taxes collected by:

Local county treasurer

Coal Severance Tax - Imposed on all coal mined in the state. Producers of over 50,000 tons of coal per year pay a quarterly severance tax on all production in excess of 20,000 tons. Producers of under 50,000 tons per year are exempt from the tax. The first 2 million tons of coal produced as "feedstock" for a coal enhancement facility is exempt.

Tax rates depend on the heat content (BTU's per pound) of the coal and the method of extraction. The value of coal to which the severance tax is applied is the contract sales price. Current tax rates:

Surfaced Mined Coal:

Under 7,000 BTU's	10% of value
7,000 and over	15% of value.

Underground Mined Coal:

Under 7,000 BTU's	3% of value
7,000 and over	4% of value

Collected by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Consumer Counsel Tax - All companies providing services which are regulated by the Public Service Commission are subject to a consumer counsel tax on gross operating revenue; tax paid quarterly. Tax rate set annually to meet the budget requirements of the Consumer Counsel.

Collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

Contractor's Gross Receipts Tax - 1% of the gross receipts from public contracts during any year (contracts in excess of \$5,000).

Collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

Corporation License Tax - Foreign and domestic corporations are subject to a corporation license tax of 6 3/4% of all net income for the taxable period, or \$50, whichever is greater. Corporations choosing to apportion income under a "water's edge combination" method are taxed at 7%. The license tax is measured by the net income derived from or attributable to Montana sources. Sales corporations may elect to pay 1/2 of 1% of gross sales in Montana. Exemptions: Insurance companies (which pay premium tax); non-profit corporations; and qualifying research and development firms

(for the first 5 years of taxable activity in the state).

Applications available and tax collected by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Electrical Energy Producer's Tax - A quarterly tax imposed on any business engaged in the generation of electrical energy. Tax is \$.0002 per kilowatt hour of electrical energy generated, manufactured or produced.

Collected by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Income Tax Withholding - With certain statutory exceptions, every resident and non-resident employer doing business in this state is required to withhold Montana income tax from wages paid to an employee for services rendered within this state and services rendered outside this state by Montana residents.

Information and schedules available from, and tax collected by:

*Department of Revenue
Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604.*

Liquor Excise Tax - 16% of the retail selling price on all liquor sold by the state. The excise tax on products sold by companies whose annual sales do not exceed 200,000 proof gallons of liquor nationwide in the preceding year, is 13.8%.

Collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Liquor License Tax - 10% of the retail selling price of all liquor sold by the state. The license tax is in addition to the liquor excise tax. The liquor license tax on products sold by companies whose annual sales do not exceed 200,000 proof gallons of liquor nationwide in the preceding year is 8.6%.

Collected by:

*Department of Revenue, Liquor Division
P.O. Box 1712
Helena, MT 59624*

Metal Mines Gross Proceeds Tax - A property tax is imposed on the gross proceeds of metal mines. The taxable value of metal mines is equal to 3% of annual gross proceeds. This amount is subject to local mill levies in the jurisdiction in which the taxable value of the mining operation is allocated. Mines that produce less than 20,000 tons of ore in a year are exempt from property taxation on one-half of the merchantable value.

Forms filed with:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Taxes collected by:

Local county treasurer

Metal Mines License Tax - Mining operations in which metals or gems are extracted are subject to a license tax based on the gross value of the product. Concentrate shipped to a smelter, mill, or reduction work is taxed at 1.81% of gross value over \$250,000. Gold, silver, or any platinum-group metal that is dore, bullion or matte and that is shipped to a refinery is taxed at 1.6% of gross value over \$250,000. Gross value under \$250,000 is exempt from taxation.

Collected by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Micaceous Mineral Mines License Tax - The operation of any mine extracting micaceous minerals is subject to a license tax of five cents per ton

of concentrates mined, extracted, or produced.

Collected by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Miscellaneous Mines Net Proceeds Tax - A property tax is imposed on the net proceeds of gems and micaceous minerals. The taxable value is equal to 100% of the annual net proceeds with the exception of talc, vermiculite, quicklime, and rougher garnet concentrate. For these four minerals the taxable value is derived by multiplying the number of tons produced by a specific price calculated each year as directed by statute. The taxable value is then multiplied by the local mill levy which results in the tax owed.

Forms filed with:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Taxes collected by:

Local county treasurer

Motor Fuel Taxes -

- Three cents for each gallon of aviation fuel distributed in the state is paid by the fuel distributor.
- 27 cents per gallon is collected from all distributors of gasoline or gasohol used in the state.
- 27.75 cents per gallon of diesel fuel and certain other volatile liquids. Does not include liquid petroleum gas. Refundable if fuel is used for off-highway purposes or private construction projects.
- In addition there is \$0.0075 per gallon petroleum storage tank cleanup fee for each gallon of aviation fuel, gasoline, gasohol, diesel fuel and certain other volatile liquids distributed in the state.

Taxes collected by and information available from:

*Department of Transportation
Accounting Services Bureau
2701 Prospect Ave.
Helena, MT 59620*

Nursing Facilities Bed Tax - A nursing facility shall remit a utilization fee for each bed day of use in the facility. Fee - \$2.80 per bed per day. Exceptions: facilities licensed to provide intermediate developmental disability care and those reimbursed as institutions for mental disease under the Medicaid program.

Tax forms obtained from and taxes collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604.*

Oil and Natural Gas Production Tax -There is a tax on the gross taxable value of oil and natural gas production. There are various rates based on the type of well, type of production, working or non-working interest, date when production began, and price of west Texas intermediate crude oil. The tax rate for non-stripper, post-1985 natural gas wells that have been in production for more than 24 months is 15.45% for working interests and 15.1% for non-working interests. For non-stripper, primary recovery, post 1985 crude oil wells that have been in production for more than 24 months the tax rate is 12.8% for working interests and 15.1% for non-working interests.

Detailed information available from and tax collected by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Old Fund Liability Tax - With certain exceptions, the Old Fund Liability Tax is a payroll tax levied on all compensation earned in Montana. It applies to the employer, employees, and all employment whether salaried or self employed. Employers pay 0.5% on gross wages and 0.2% is withheld from employees' gross wages. Self-employed (partnerships, sub "S" corporations, etc.) reporting income on schedules C or E or F pay 0.2% of the net income on a per entity basis. (Federal employers and railroad employees are exempt.)

Information available from and tax collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Property Tax -Both real and personal property are subject to property (ad valorem) taxation. Tax liability for business property is determined in the following way:

Market Value x Classification Rate = Taxable Value

Taxable Value x Mill Levy = Property Tax Liability

The classification rate varies depending on the type of property being taxed. For example: rates applied to the market value of property are 3% for pollution control equipment and 8%, in tax year 1996, (down to 6% in tax 1998) for manufacturing machinery. The mill levy is an aggregate of state and local mill levies imposed annually for the purpose of funding city and county governments, schools, and the university system. Most real and personal property is assessed locally by the appraisal/assessment office of the Department of Revenue. Real property that is single and continuous and in more than one county (such as railways, telephone lines, power lines, and pipelines) is centrally assessed by the Property Assessment Division of the Department of Revenue.

Collected by:

Local county treasurer

Public Service Commission Tax - All companies providing services which are regulated by the Public Service Commission are subject to a tax on gross operating revenue. The rate of the tax is set to meet the budget requirements of the Department of Public Service Regulation. Motor carriers are excluded as are municipal utilities.

Tax forms obtained from and taxes collected by:

Department of Revenue, Income and Miscellaneous Tax Division

P.O. Box 5805

Helena, MT 59604

Resource Indemnity and Groundwater Assessment Tax - All businesses engaged in mining or extracting mineral resources within this state are subject to an annual tax on the percentage of the gross value of the product. Rates are as follows: Talc - 4.0%; coal - 0.4%; vermiculite - 2.0%, quicklime - 10%, industrial garnet - 1%; all others - 0.5%. There is a minimum annual tax of \$25. This tax is in addition to all other applicable license or severance taxes.

Exceptions: Those paying Metal Mines License Tax and the Oil and Natural Gas Production Tax are exempt from the Resource Indemnity and

Groundwater Assessment Tax.

Collected by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Rural Electric and Telephone Co-op Tax - Electric and telephone co-operatives are subject to a license tax of \$10.00 for every 100 people served by their operations within this state; they are exempt from all other excise or income taxes.

Tax forms obtained from and taxes collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Statewide Emergency Telephone System and TDD Fees - Each subscriber pays a monthly fee of \$0.25 for 911 and \$0.10 for TDD per access line.

Collected by telephone companies and remitted to:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Telephone License Tax - Gross income in excess of \$250 per quarter which is derived from any telephone business conducted within this state is subject to a license fee of 1.8%. The tax is paid quarterly. There are certain exemptions.

Tax forms obtained from and taxes collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Tobacco Products Tax - All tobacco products, excluding cigarettes, are subject to a tax of 12 1/2% of the wholesale price of the products. The tax is collected monthly from the wholesaler.

Tax forms obtained from and taxes collected by:

*Department of Revenue, Income and Miscellaneous Tax Division
P.O. Box 5805
Helena, MT 59604*

Wine Tax - A tax of 27¢ per liter is levied on table wine imported by any table wine distributor or the Department of Revenue.

Collected by:

Department of Revenue, Liquor Division

P.O. Box 1712

Helena, MT 59624

BUSINESS TAX INCENTIVES

Individual Income and Corporation License Tax Incentives

Land Sale to Beginning Farmers Deduction - Taxpayers may deduct up to \$50,000 of income or capital gains derived from the sale of 80 acres or more to beginning farmers, on a long-term contract at an interest rate less than or equal to 9%. The deduction applies to both individual income and corporation license taxes.

*Administered by: Department of Revenue
Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

or

*Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Montana Capital Company Credit - Taxpayers are allowed a tax credit equal to 50% of their investments (up to a maximum of \$150,000) for investments in regular capital companies, and up to an additional \$250,000 for investment in the qualified small business investment capital company. The credit may be carried forward or carried back.

*Administered by: Department of Revenue
Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

or

*Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

New or Expanding Industry Wage Credit - A new or expanding manufacturing corporation may receive a corporation license tax credit of 1% of wages paid to new employees for the first 3 years of operation or

expansion.

Administered by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Net Operating Loss Carry Back and Carry Forward Provisions - For individual income tax purposes, operating losses can be carried back 3 years and forward 15 years. For corporation license tax purposes, operating losses can be carried back 3 years and forward 7 years.

Administered by: Department of Revenue

*Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

or

*Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Organic Fertilizer Tax Deduction - Taxpayers may take a deduction against individual income or corporation license tax for expenditures for organic fertilizer produced and used in Montana.

Administered by: Department of Revenue

*Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

or

*Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Recycling Tax Credit and Deduction - Taxpayers are allowed a credit on the investment of depreciable property used to collect or process reclaimable material or to manufacture a product from reclaimed material. The credit

is equal to 25% on the first \$250,000 invested; 15% on the next \$250,000; and 5% on the next \$500,000. An additional deduction is allowed equal to 10% of the expenditures for the purchase of recycled material otherwise deductible as a business-related expense. The credit and the deduction may be applied either to individual income or corporation license tax.

*Administered by: Department of Revenue
Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

or

*Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Research and Development Firms Exemption - A research and development firm organized to engage in business in Montana for the first time, is exempt from corporation license taxation for the first 5 years of taxable activity in the state.

Administered by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Rural Physician Tax Credit - With certain restrictions, physicians who relocate to a 'rural' area are allowed a \$5,000 credit against individual income tax for four years. The credit is non-refundable, and may not be carried forward or back.

Administered by:

*Department of Revenue
Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

Small Business Investment Company Tax Exemption - Capital gains and dividend income received from a small business investment company is

exempt from individual and corporation income taxation.

*Administered by: Department of Revenue
Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

or

*Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Water's Edge Unitary Combination Option - For corporation license tax purposes, a corporation subject to apportionment may choose between worldwide combined reporting and the water's edge combination method of reporting. The net income of corporations making a water's edge election is taxed at 7% For all other corporations the license tax rate is 6.75%.

Administered by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Wind Farms Tax Credit - a 35% credit is available for investing in wind powered electrical generating equipment when that investment exceeds \$5,000. The credit is in lieu of exempt property tax status for a portion of the appraised value of electrical generating equipment. It also excludes the taxpayer from qualification for other major state and local tax incentives. The credit can be claimed for individual income or corporation license tax purposes.

*Administered by: Department of Revenue
Income and Miscellaneous Tax Division
Business Tax Bureau
P.O. Box 5835
Helena, Mt 59604*

or

*Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Property Tax Incentives

Business Incubators Exemption- If approved by the local governing body, a business incubator owned and operated by a local economic development organization is eligible for an exemption from property taxes.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Canola Seed Oil Processing Machinery and Equipment Reduced Rate - Machinery and equipment used in a Canola seed oil processing facility with a minimum of 15 full-time employees and located in the state after July 25, 1989, is taxed at the classification rate of 4%. Normally, personal property is classified at 8%, for tax year 1996, down to 6% in tax year 1998.

Administered by: Department of Revenue

*Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Expanding "Value-added" Machinery and Equipment Abatements (Local Option) - If approved by the local governing body, machinery and equipment of expanding industries that process Montana raw materials, or use Montana semifinished products, may qualify for reduced taxable valuation for up to 7 years.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Freeport Merchandise and Business Inventories Exemption - Freeport merchandise and business inventories are exempt from property taxation.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Industrial Parks Owned and Operated by a Local Economic Development Organization or Port Authority Exemptions - If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

"New Industry" Reduced Rate - New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% for the first three years of operations. Normally real property is taxed at 3.86% and personal property is taxed at 8% in tax year 1996, down to 6% by tax year 1998.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

New or Expanding Industries Abatements (Local Option) - If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Reduced Assessments for Non-Producing Agricultural and Timber Processing Plants (Local Option) - If approved by the local governing body, agricultural and timber processing plants that have not been in production for 12 consecutive months may receive property assessment reductions of 25% a year for each year a plant continues to be out of

production.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Personal Property Exemptions - The following personal property is exempt from taxation: All down-hole equipment in oil and gas wells; all property used for the exclusive purpose of filming motion pictures or television commercials provided the property is not in the state in excess of 180 consecutive days; the title plant owned by a title insurer or title agent; all harness, saddlery and other tack equipment; the first \$15,000 or less of value of hand-held tools.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Remodeling/Reconstruction Abatements (Local Option) - If approved by the local governing body, remodeling, reconstruction, or expansion of existing buildings or structures may qualify for a reduced tax rate for five years following construction.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Research and Development Firms, Pollution Control Equipment, Gasohol Producing Property, and Electrolytic Reduction Equipment Reduced Rate - The above property is taxed at the lowest classification rate of 3%. Normally real property is taxed at 3.86% and personal property is taxed at 8% in tax year 1996, down to 6% by tax year 1998.

Administered by:

*Department of Revenue
Property Assessment Division
Mitchell Bldg.
Helena, MT 59620-2701*

Natural Resource Tax Incentives

Coal Production Incentives -Persons producing less than 50,000 tons of coal in a year are exempt from severance tax. Persons producing in excess of 50,000 tons per year are exempt from severance tax on the first 20,000 tons produced. A person is not liable for any severance tax upon the first 2,000,000 tons of coal produced as feedstock for an approved coal enhancement facility. This exemption terminates December 31, 2005.

Administered by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

Oil and Gas Production Incentives -Incremental production from secondary and tertiary recovery projects and recompleted horizontal wells are taxed at reduced rates. These reduced rates apply when the average price for crude oil is less than \$30 per barrel.

Production from a stripper well is taxed at reduced rates.

The first 24 months of production from new wells (both horizontal and vertical) are taxed at reduced rates.

Detailed information available from and administered by:

*Department of Revenue
Natural Resource and Corporation Tax Division
Mitchell Bldg. Room 330
125 Roberts St.
Helena, MT 59620*

LICENSES AND FEES

Alcoholic Beverages

Beer License - Retail - Fees for licenses are paid annually. Retail (on or off premise consumption) - \$200. Nationally chartered veterans' association - \$50.

Collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Beer License - Wholesale - Fees for licenses are paid annually. Brewer - \$500. Wholesaler - \$400. Wholesaler subwarehouse - \$400. Brewer storage depot - \$400. Beer importer - \$500.

Collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Liquor License Fees - All licenses issued in cities of over 10,000 population, after July 1, 1974, are subject to a one-time fee of \$20,000 (not applicable to transfer or renewal of licenses issued prior to that date). Annual renewal fee - \$800 in cities of 10,000 population or more; \$650 in cities of 5,001 to 10,000 population; \$500 in cities of 2,001 to 5,000 population; \$400 in counties or in cities of 2,000 or less. Catering endorsements are an additional \$250. Fees for veterans' and fraternal organizations are less expensive.

Collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Special Beer/Wine Permits - Special permits to sell beer and wine at special events such as picnics, conventions, fairs and sporting events are available

to corporations and associations sponsoring such events. The fee is \$15 a day for each day beer and wine are sold. Sponsors of events must purchase a permit for a minimum fee of \$30. A completed application with fees and approvals must be received by the Liquor Division 3 days prior to the event.

Permit applications and fees collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Veterans or Fraternal Special Permits - A post of a nationally chartered veterans organization not otherwise licensed may obtain a special permit to sell alcoholic beverages to members and guests for consumption within the lodge or post building. Twelve permits may be issued per year, each for a 24 hour period, ending at 2:00 a.m. The fee for a beer/wine permit is \$10 and the fee for an all-alcoholic beverages permit is \$20.

Permit applications and fees collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Wine Distributor's License - License to sell and distribute table wine at wholesale to retailers - annual license fee \$400. Wineries and wine importers - annual registration fee of \$25.

Licenses obtained from and fees collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Wine Licenses - Retail - Retail licenses for on-premise consumption are issued only as supplemental licenses to approved retail beer license holders at additional fee of \$200. Retail licenses for off premise consumption - annual fee of \$200.

Licenses obtained from and fees collected by:

*Department of Revenue
Liquor Division
P.O. Box 1712
Helena, MT 59624*

Other Licenses

Cigarette Dealers - Wholesaler's license - \$50. Sub-jobber's license - \$50. Retailer's license - \$5. Vendor's license (nine or less machines) - \$5. (ten or more machines) - \$50.

Collected by:

*Department of Revenue
Income and Miscellaneous Tax Division.
Business Tax Bureau
P.O. Box 5835
Helena, MT 59604*

Tobacco Products Retail Sale License - A person must obtain a license to sell tobacco products (on premises) at retail whether over the counter, by vending machine, or otherwise. There is no fee for this license.

Licenses obtained from:

*Department of Revenue
Income and Miscellaneous Tax Division.
Business Tax Bureau
P.O. Box 5835
Helena, MT 59604*

BUSINESS REGISTRATION PROCEDURES

Accommodation Tax

Every business required by law to collect the Accommodation Tax must register with the Department of Revenue. Registration material and information obtained from:

*Montana Department of Revenue
Business Tax
P.O. Box 5835
Helena, MT 59604-5835*

or Call 406-444-3388

Corporation License Tax

Registration and Form Requests

A corporation registers with the Office of the Secretary of State. Forms obtained from:

*Secretary of State
Business Services Bureau
P.O. Box 202801
State Capitol
Helena, MT 59620-2801*

Or call 406 444-3665

No further registration is required by the Department of Revenue relating to Corporate License Tax. The corporation will be notified by the Department of Revenue regarding their corporate license tax filing requirements. For tax filing forms or questions write:

*Montana Department of Revenue
Corporation Tax Bureau
Mitchell Building\Room 330
Helena, MT*

Or call 406-444-2441

Employer Taxes

State Income Tax Withholding, Old Fund Liability Tax, and Unemployment Insurance

If you hire employees, you must register with the Department of Revenue and withhold state income tax and the Old Fund Liability Tax. You also must register with the Department of Labor and Industry.

To register and obtain important employer information for both departments:

Call toll free:

800-550-1513

Or write:

Employer Information Center

P.O. Box 1728

Helena, MT 59620-1728

OTHER INFORMATION SOURCES

For Information on:

Source:

Employment Laws, request:
- *Wage and Hour Laws*
Administered by the Wage and Hour
Unit

Dept. of Labor and Industry
Wage and Hour Unit
Labor Standards Bureau
P.O. Box 6518
Helena, MT 59604-6518

(406) 444-5600

Gambling /Video Gambling Taxes,
Licenses, Fees

Department of Justice
Gambling Control Division
P.O. Box 201424
2550 Prospect Ave.
Helena, MT 59620

(406) 444-1971

Gasoline Dealer's Refund Permits
and Gasoline/Special Fuel
Distributor's License Fee

Department of Transportation
Administrative Services
Division
Accounting Services Bureau
P.O. Box 5895
Helena, MT 59620-5895

406-444-3832

Hunting, Fishing, and Related
Licenses and Permits

Department of Fish, Wildlife
and Parks
1420 E. Sixth Ave.
P.O. Box 200701
Helena, MT 59620-0701

(406) 444-2535

For Information on:

Special Fuel (i.e. diesel) User
Permits and Bonds

Source:

Licensing & Permitting
Bureau
Motor Carrier Services
Division
Department of Transportation
2701 Prospect Avenue
P.O. Box 4639
Helena, MT 59604-4639

406-444-6130

Starting a Business, request:
- *Start a Business Checklist*

or

Professional Licensing, request:
- *Business Licensing Handbook*

Department of Commerce
Small Business Development
Center
1424 Ninth Ave.
Helena, MT 59620

(406) 444-4109
TDD (406)444-2978
in-state toll free:
1-800-221-8015

DIRECTORY

General Information Number,
State Government
406-444-2511

Telephone Device for the Deaf
406-444-1421

Administration, Department of
Room 155, Mitchell Building
205 Roberts Street
Helena, MT 59620-0101
406-444-2032

Agriculture, Department of
Director's Office
P.O. Box 200201
Helena, MT 59620-0201
406-444-3144

Auditor's Office, State
Mitchell Building
126 N. Sanders
Helena, MT 59620-0301
406-444-2040

Commerce, Department of
1424 9th Avenue
Helena, MT 59620-0501
406-444-3797

Corrections, Department of
1539 Eleventh Ave.
Helena, MT 59620
406-444-3930

Environmental Quality,
Department of
Attn.: Director's Office
1520 East Sixth Avenue
Helena, MT 59620-2301
406-444-6699

Fish, Wildlife & Parks,
Department of
Fish, Wildlife & Parks Building
1420 East Sixth Avenue
Helena, MT 59620-0701
406-444-3186

Governor's Office
State Capitol
Helena, MT 59620-0801
406-444-3111

Justice (Attorney General),
Department of
215 N. Sanders St.
Helena, MT 59620-1401
406-444-2026

Labor & Industry, Department
P.O. Box 1728
Helena, MT 59624-1728
406-444-3555

Livestock, Department of
P.O. Box 202001
Helena, MT 59620-2001
406-444-2023

Military Affairs, Department of
Attn: Adjutant General's Office
1100 N. Main
P.O. Box 4789
Helena, MT 59604-4789
406-444-6910

**Natural Resources &
Conservation**, Department of
Attn: Director's Office
1625 Eleventh Avenue
Helena, MT 59620
406-444-2074

**Public Health & Human
Services**, Department of
111 N. Sanders
P.O. Box 4210
Helena, MT 59604
406-444-5622

Public Instruction, Office of
P.O. Box 202501
Helena, Montana 59620-2501
406-444-3095

Revenue, Department of
Room 455
Mitchell Building
Helena, MT 59620-2701
406-444-2460

Secretary of State
State Capitol Building
Room #225
Helena, MT 59620-2801
406-444-2034

Transportation, Department of
Transportation Building
2701 Prospect Avenue
Helena, MT 59620-1001
406-444-6200

QUICK REFERENCE PHONE DIRECTORY

State Government General Information Number	406-444-2511
Telephone Device for the Deaf	406-444-1421
Corporation Registration Forms	406-444-3665
Business Registration Packet--(<i>Income tax withholding; Old Fund Liability Tax, Unemployment Insurance</i>)	1-800-550-1513

Department of Revenue Tax Information:

Income Tax

Income Tax Assistance and Problems	406-444-3674
Tax Forms Requests	406-444-0290
Estimated Tax Requirements	406-444-3647
Telephone Device for the Deaf (TDD)	406-444-2830

Business Taxes

Tax Forms Requests	406-444-3388
--------------------	--------------

Corporation Tax

Questions and Forms	406-444-2441
---------------------	--------------

Natural Resource Taxes

Questions and Forms	406-444-2441
---------------------	--------------

Property Taxes

Property Valuation and Assessment	406-444-2500
Property Taxes - Contact Local County Treasurer	

Liquor Taxes

Questions and Forms	406-444-0700
---------------------	--------------

**State of Montana
Department of Revenue
Mitchell Building
PO Box 202701
Helena, MT 59620-2701**

**U.S. Postage
PAID
Bulk Permit
No. 89
Helena, MT**

7,000 copies of this public document were published at an estimated cost of 31¢ per copy, for a total cost of \$2,170.00, which includes \$2,170.00 for printing and \$.00 for distribution.